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CENTRAL INTELLIGENCE GROUP

INTELLIGENCE REPORT

COUNTRY China

DATE: 25X1X6

SUBJECT Economic Information: Food Price
Changchun

This document is hereby regraded to
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Note: The following analysis of food price trends is based largely upon a study prepared by a [redacted] Its purpose is 25X1X6 not to make a definitive assessment of the food situation in central Manchuria, but rather to draw attention to the primary impellents to price variation.)

1. With the post-surrender breakdown of political unity and of modern communication facilities, the Manchurian economy deteriorated into a system of virtually self-sustaining local economies dependent mainly upon horse-cart transport for a semblance of intercourse. Further debilitated through removal and destruction of Manchurian industrial equipment by the Red Army and irresponsible Chinese elements, the general economy rapidly reverted to a fundamentally agricultural type similar to that which existed under the war-lord rule of the twenties. The earlier importance of industrial production was lost, import-export trade suspended, and domestic commerce reduced to petty transactions by local merchants and speculators. In contrast to the general stability of prices under the former administration, postwar food prices fluctuated in response not only to varying supply and demand, but also to transfers of authority, redispersions of troops, and mass movements of people.
2. The period of Soviet occupation, 10 August 1945 to 14 April 1946, was an economy of surpluses and stolen goods. In the political chaos immediately following the Japanese capitulation large quantities of foodstuffs and clothing, which had been stored by the Manchoukuo Government, the Kwantung Army, and monopolistic Japanese "special companies," were stolen by Chinese looters and thrown on the market. Suddenly appearing in large quantities for unrestricted purchase were goods which had been carefully rationed throughout the war period: rice, wheat flour, sugar and tinned foods. While prices of these newly-available commodities were based primarily upon earlier black-market rates, which in themselves constituted a tendency toward inflation, increasing supply during September and October served to check an initial rise in prices.
3. A relative price stability was maintained through the early winter of 1945. The inflationary tendency which attended increased speculation and the introduction of Red Army occupation notes was offset by at least three forces:
 - a. The continuing supply of stolen goods, as described above.
 - b. The 1945 crops of kaoliang, soy beans, millet, and other food marketed from September through December ~~CONFIDENTIAL~~ portion of the new

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currency.

- c. The sale of personal belongings by Japanese. Chief buyers were the Soviet military, who bought large amounts indiscriminantly.

4. The rise in the general price level over that of August was only about 20%. However, as a result of the gradual disappearance from the market of stolen goods and surplus goods, which proceeded in inverse ratio to increased issuance of Russian notes, an advance in living costs became apparent after December. Commodity prices of 21 January were three times higher on the average than those of the past August.
5. After the Chinese New Year, with its perennial demand for foods, the economy was stabilized until about one month before the Russians evacuated the city. At that time, Communist troops tried to prevent intercourse between Changchun and its suburbs. Their apparent aim was to disrupt the economy of the city so that they might appear to restore it when they entered the town. Medicines were used for speculation. Stores held by the Germans and Japanese were plundered and sold on the market at prices far beyond the practical demand.
6. The period of Chinese Communist control, 15 April 1946 to 22 May, was a "stunted" economy. In reaction to the Communist economic policy many local merchants closed their shops lest their stocks and assets be confiscated by occupying troops. Rich merchants were deprived of their properties and profits.
7. Although prices under the Communist administration increased to a degree, partly because of surreptitious hoarding by merchants as a means to prevent confiscation of their goods, a degree of stability was imparted by official enforcement of price controls.
8. Just prior to the Communist withdrawal from Changchun, the average prices of ten main foods represented an increase of 5.3 times over those of August 1945.
9. The Nationalist Administration, from 25 May to the present, was one of laissez faire and advancing prices. In accordance with the pattern which originated in Shanghai and subsequently spread to all eastern cities reoccupied by Central Government forces, the beginning of an almost phenomenal rise in commodity prices accompanied the second entry of Nationalist troops into Changchun. Under the laissez faire economy tolerated by Nationalist administrators, speculation became a preponderant factor of price development. The administration made no concerted attempts to prevent or minimize price rises, beyond a mild reprimand to those thought to be responsible. As of the present time the formation of an influential Chamber of Commerce has not been effected. Virtual control of the Changchun market has rested with the "Merchants' Association," a loosely-knit but powerful group of buyers and sellers who apparently enjoy the benediction, if not the support, of Central Government officials.
10. One year after Japanese surrender, prices of the ten basic foods were fifteen times that of August.

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11. [REDACTED] movement under the Central Government/dependent also upon the following:

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a. Repatriation of the 205,000 Japanese in Changchun, begun on 8 July, had a theoretically "levelling" effect on prices. In accordance with a regulation limiting exportable currency to 1000 Manchurian yuan per person, surplus funds held by Japanese were to a large extent dissipated without remuneration. In addition, the Japanese sold these second-hand goods at very low prices, thus serving to compensate for the rising prices of similar items in regular Chinese markets. However, the decelerating effect on advancing prices which might have been achieved by this dumping of currency and goods was partially counterbalanced by increased purchases by the Japanese of comparatively high-priced foodstuffs for consumption enroute to Japan. The demand for flour, sugar and canned goods was notably increased; prices were raised commensurately.

b. The Central Government policy on withdrawal of Soviet Red Army occupation currency produced an immediate effect on food prices. No policy for eventual redemption of the currency at full face value was announced. As a result of their loss of confidence in paper notes of small denominations, and in order to compensate for their own financial losses, Changchun food sellers bolstered prices in a day-to-day progression which reached its peak on 20 August.

12. Comparative Prices in Changchun Retail Markets at Politically Significant Points in the Last Year.

Item						RATIO OF ADVANCE		
		(A)	(B)	(C)	(D)	(B)	(C)	(D)
Rice	Catty	2.0	5.5	13.0	70.0	2.8	9.5	35.0
Koaling	"	.90	2.5	4.0	13.0	2.7	4.5	14.5
Soybean	"	.40	2.0	2.5	7.0	5.0	3.3	17.5
Millet	"	1.00	3.0	2.0	15.0	3.0	3.0	15.0
Flour	"	4.00	15.0	35.0	90.0	3.7	8.2	22.5
Pork	"	10.0	20.0	35.0	75.0	2.0	3.5	7.5
Beef	"	10.0	14.0	34.0	65.0	1.4	3.4	6.5
Egg	Each	1.0	3.0	4.0	3.0	3.0	4.0	3.0
Salt	Catty	3.0	5.0	15.0	45.0	1.6	5.0	15.0
Average						3.0	5.8	15.0

Key

- (A) Japanese surrender
- (B) Beginning of price advance under Soviet occupation
- (C) Several days prior to the withdrawal of the Chinese Communist Army
- (D) One year after (A) under the Central Government

Note: Source obtained these figures from the books of a Changchun merchant. All prices are in Manchurian yuan.)

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